

Business Expectations for Capital Outlays, 1971

BUSINESSMEN are scheduling expenditures for new plant and equipment in 1971 about 1½ percent over the 1970 level, according to a survey conducted in late November and December 1970 by the Office of Business Economics and the Securities and Exchange Commission. Expenditures in 1970 are estimated to have been 8.6 percent above the 1969 level. Outlays in 1971 are expected to total \$81.7 billion, compared with \$80.6 billion last year and \$75.6 billion in 1969.¹

The quarterly OBE-SEC survey conducted in late October and November revealed that businessmen expect to invest at a seasonally adjusted annual rate of \$81.8 billion in the first half of 1971. This figure taken together with the current expectation for the full year suggests that the rate of spending in the second half will be little changed from

the first half. This applies to spending by both manufacturing and nonmanufacturing companies.

Expenditures by manufacturers are expected to total \$31.4 billion in 1971, 3 percent less than in 1970, while spending in nonmanufacturing industries is projected to rise 4 percent to \$50.3 billion. The greater strength in nonmanufacturing industries is similar to the general pattern which prevailed in 1970. Electric utilities and communications firms account for much of the 1971 increase in nonmanufacturing investment; expenditures by these industries also rose sharply in 1970. Airlines expect

a substantial reduction in 1971 following a sharp advance in 1970. Railroads and gas utilities project substantial declines and commercial and mining firms expect small decreases.

Among the manufacturing industries, nonferrous metals firms and petroleum refiners are programming increases of 6 percent and 5 percent, respectively. The motor vehicle and nonelectrical machinery industries expect to spend about the same as in 1970. Other major industries expect decreases, with the largest declines projected by iron and steel, aircraft, paper, rubber, and textile producers.

Expenditures for New Plant and Equipment by U.S. Business,¹ 1969-71

	1969	1970 *	1971 †	Percent change	
	[Billions of dollars]			1969-70	1970-71
All industries.....	75.66	80.65	81.67	5.8	1.4
Manufacturing industries.....	31.88	32.25	31.33	1.8	-2.7
Durable goods	25.94	26.91	25.42	-4	-5.1
Primary metals	3.23	3.20	3.15	-1	-1.6
Blind furnace, steel works.....	1.80	1.70	1.58	-7.5	-6.8
Nonferrous	1.10	1.20	1.26	8.8	5.0
Electrical machinery.....	2.02	2.24	2.14	10.4	-4.7
Machinery, except electrical.....	3.44	3.38	3.37	-1.8	-0.3
Transportation equipment	2.70	2.45	2.35	-11.3	-4.0
Motor vehicles.....	1.65	1.60	1.61	-2.7	0.6
Aircraft.....	0.88	0.88	0.68	-33.0	-22.5
Stone, clay, and glass.....	1.07	0.98	0.93	-7.0	-5.1
Non-durable goods	18.73	18.36	15.97	-4.1	-12.4
Food including beverage.....	2.59	2.93	2.70	12.8	-7.8
Textile.....	0.63	0.67	0.62	6.3	-7.5
Paper.....	1.20	1.33	1.30	10.8	-2.3
Chemical.....	2.19	2.40	2.26	11.0	-5.8
Petroleum.....	0.80	0.87	0.84	8.8	-3.5
Rubber.....	1.03	0.97	0.86	-5.8	-11.3
Nonmanufacturing industries.....	43.83	48.31	50.34	10.1	4.1
Mining.....	1.98	1.80	1.84	-9.1	2.2
Railroad.....	1.60	1.63	1.60	1.9	-1.8
Air transportation.....	2.51	2.94	2.10	17.2	-28.6
Other transportation.....	1.08	1.24	1.25	15.0	0.8
Public utilities.....	11.81	13.33	15.24	12.5	14.3
Electric.....	8.94	10.28	12.08	14.4	17.7
Gas and other.....	2.87	3.05	3.16	6.3	3.6
Communication, commercial and other	24.35	27.18	28.20	11.3	3.8

* Preliminary.

† Data exclude expenditures of agricultural business and outlays charged to current account.

2. Estimates are based on expected capital expenditures reported by business in late November and December 1970. The estimates for 1971 have been adjusted when necessary for systematic biases in expectational data.

3. Includes industries not shown separately.

4. Includes trade, service, construction, finance, and insurance.

NOTE.—Details may not add to totals because of rounding.

Sources: U.S. Department of Commerce, Office of Business Economics, and the Securities and Exchange Commission.

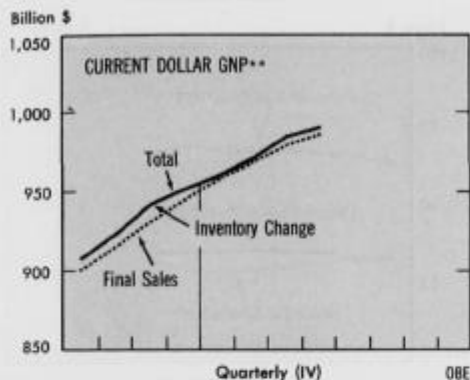
1. The 1969 figure is the estimate of actual expenditures and is consistent with the revised series of actual expenditures presented in the article on pages 28-30 of the January 1970 Survey.

The 1970 figure is based on estimated actual expenditures during the first three quarters of the year plus the expectations for the fourth quarter reported in the Survey last month. The expectations figure was adjusted for systematic biases by using the procedures described on pages 30 through 32 of the February 1970 Survey. The figure for the fourth quarter of 1970 may be revised on the basis of the responses to the next regular quarterly OBE-SEC survey, to be released in March.

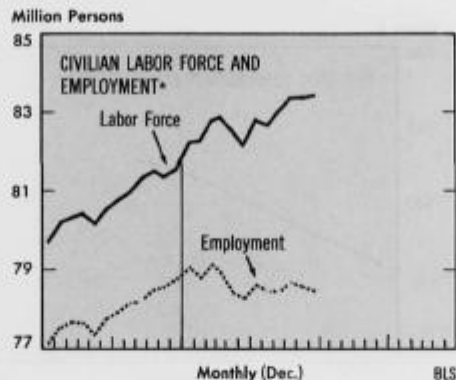
The 1971 expectations reported here have been adjusted for systematic biases when necessary. Before adjustment, expenditures were expected to be \$80.6 billion, indicating virtually no change from 1970. The bias adjustments, which are computed separately for each major industry, were applied only when expected spending deviated from actual spending in the same direction in each of the 4 years 1967 through 1970—the only years for which such data are available. When this criterion was met, the adjustment used was the median deviation between expected and actual spending in the 4 years. These bias adjustments are based on less comprehensive data than the adjustments which will be used in calculating expected 1971 spending from the responses to the survey to be taken late this month and next month and reported in March. For that survey, the adjustments are based on the experience of the entire postwar period. Thus, the results to be released in March may differ from the results shown here not only because of changes in the underlying reports but also because of the use of more comprehensive information on bias adjustment.

- Real GNP down $3\frac{1}{4}$ percent in fourth quarter, mainly because of the auto strike—GNP up $\$5\frac{1}{2}$ billion in current \$
- GNP deflator rose almost $5\frac{3}{4}$ percent in the fourth quarter
- Nonfarm payroll employment rose in December, reflecting the end of the strike; unemployment rate edged up to 6%

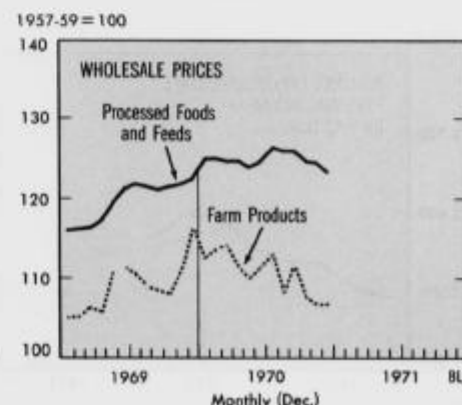
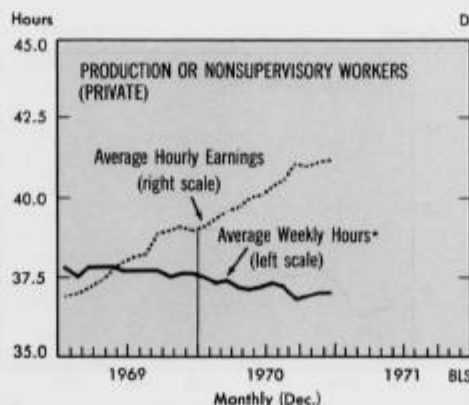
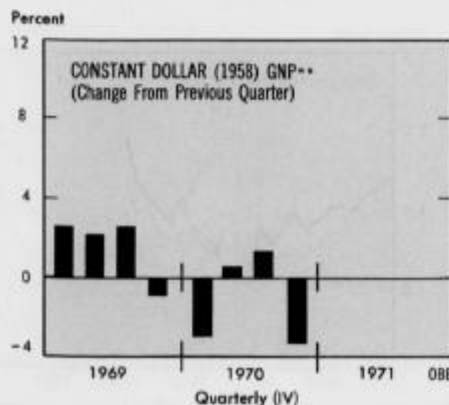
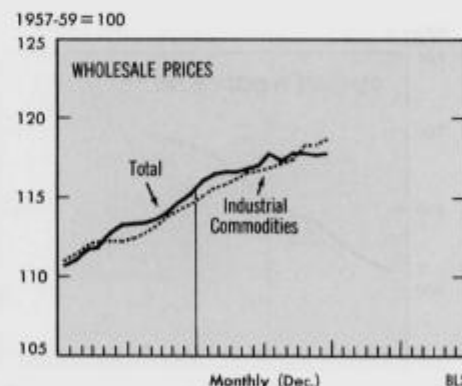
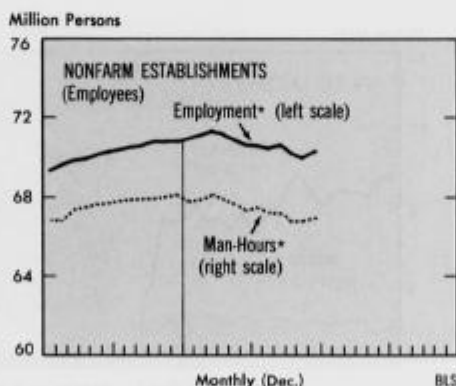
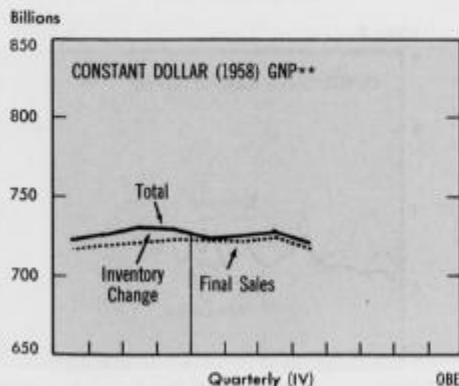
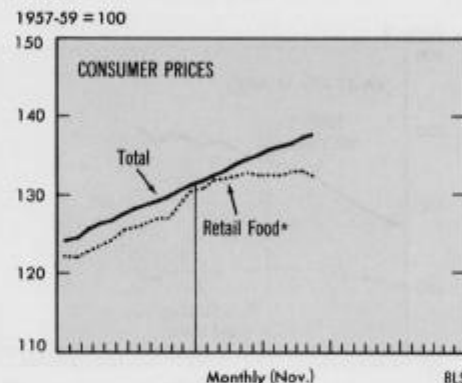
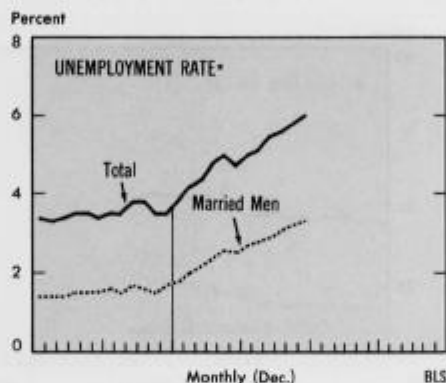
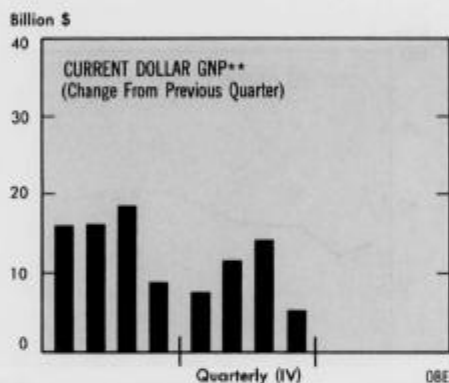
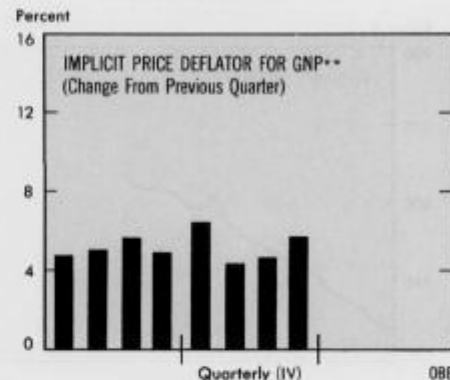
TOTAL PRODUCTION



THE LABOR MARKET



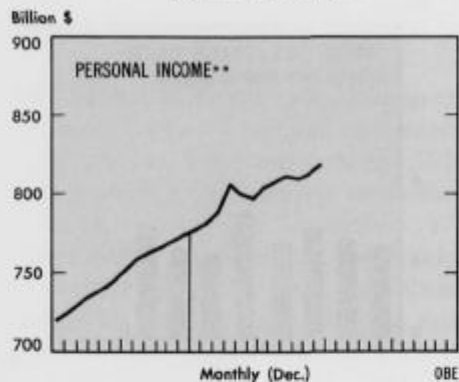
PRICES



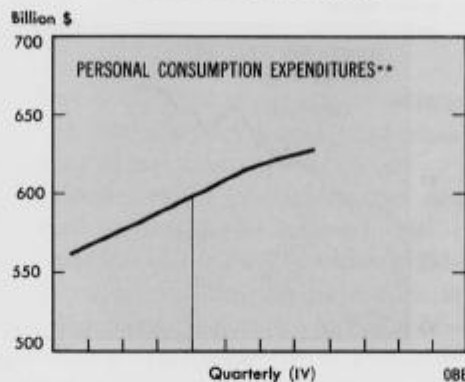
* Seasonally Adjusted ** Seasonally Adjusted at Annual Rates
U.S. Department of Commerce, Office of Business Economics

- Wage and salary income recovered in December and personal income rose \$5¼ billion
- Consumer spending advanced less in the fourth quarter than in the third, as new car sales dropped steeply
- Business fixed investment declined \$2¼ billion in the fourth quarter; residential construction advanced \$2¾ billion

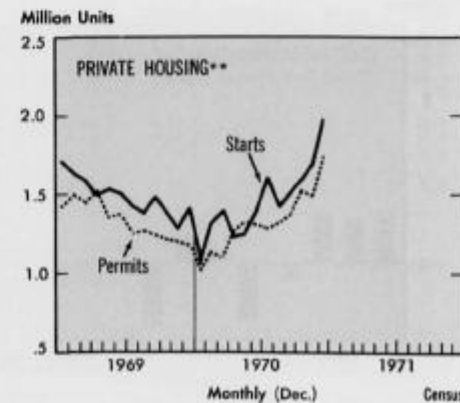
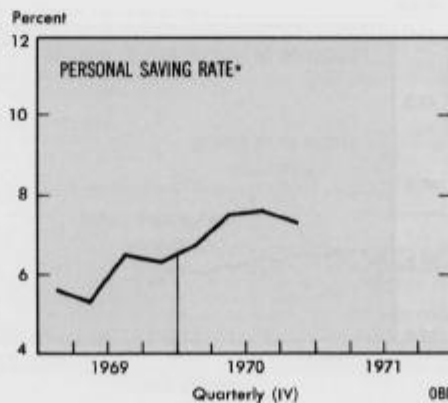
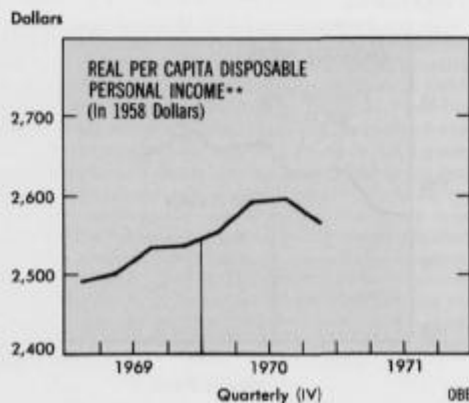
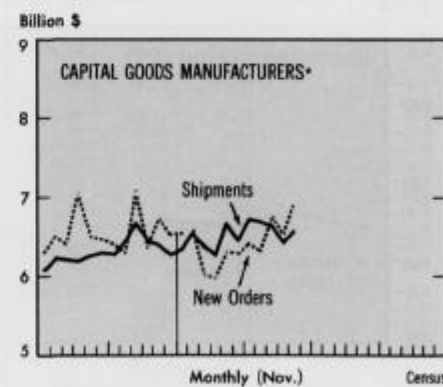
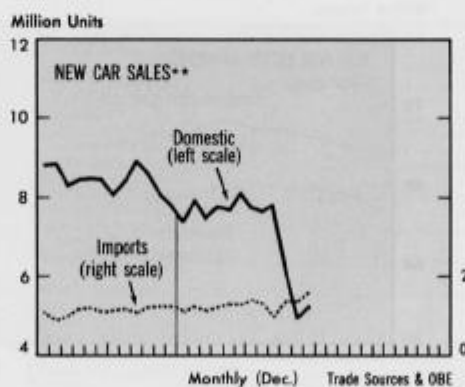
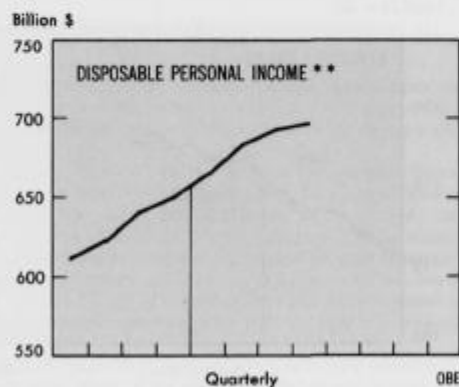
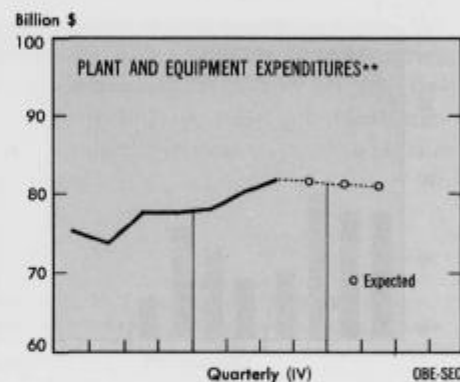
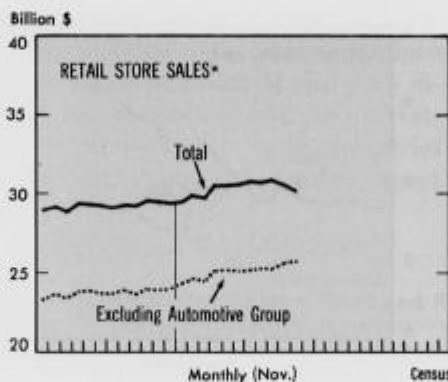
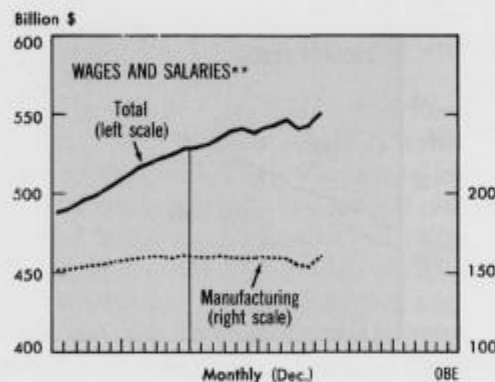
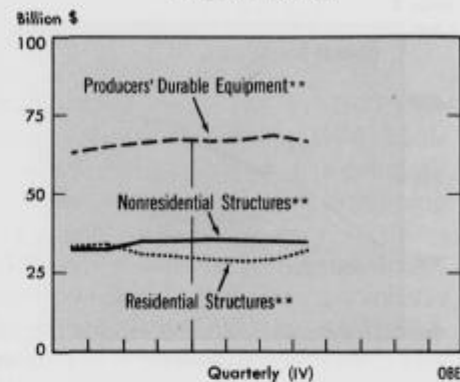
INCOME OF PERSONS



CONSUMPTION AND SAVING

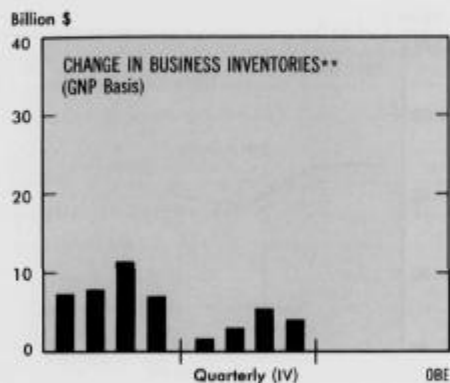


FIXED INVESTMENT

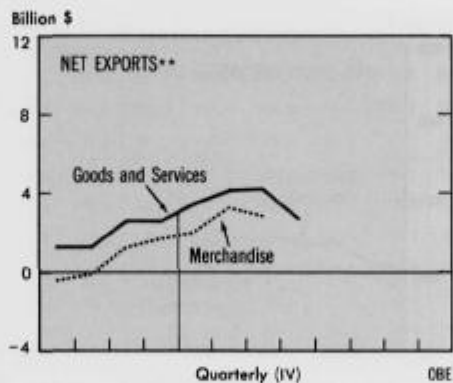


- In the fourth quarter: Inventory accumulation fell \$1½ billion
- Net exports declined about \$1½ billion, as exports were little changed and imports increased
- Federal Government purchases were unchanged, State and local spending rose \$2½ billion

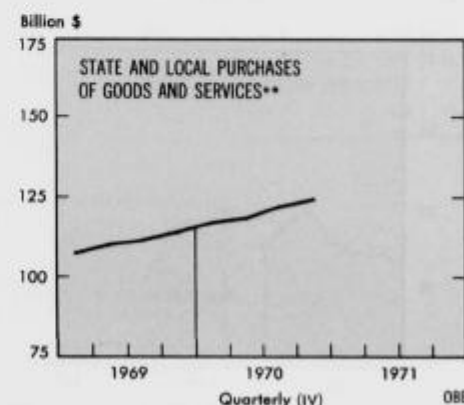
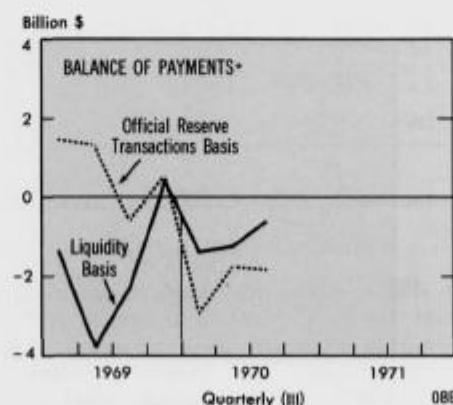
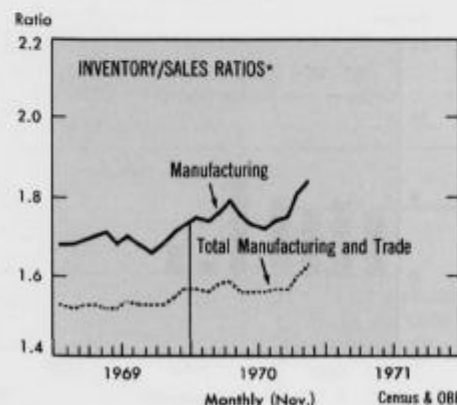
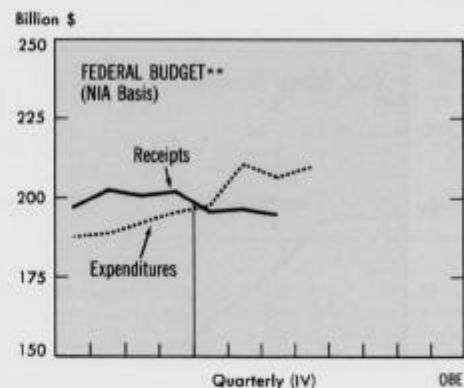
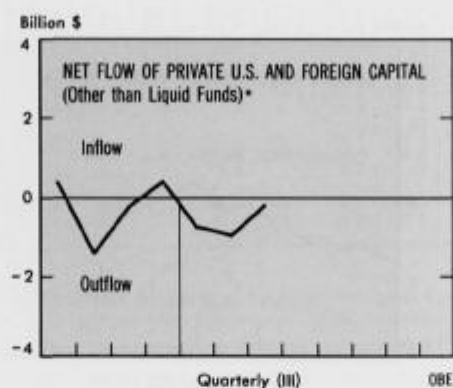
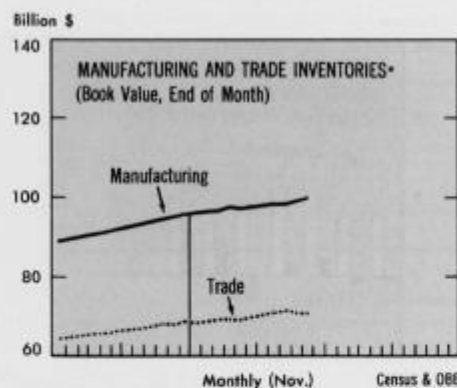
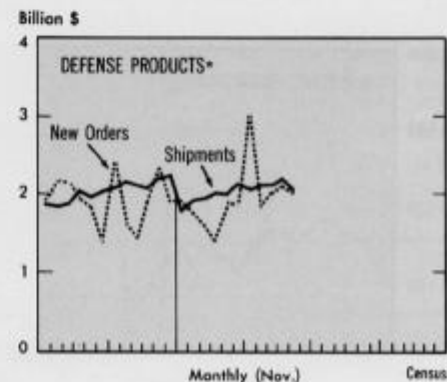
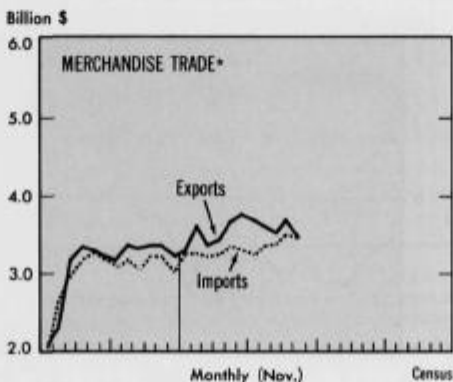
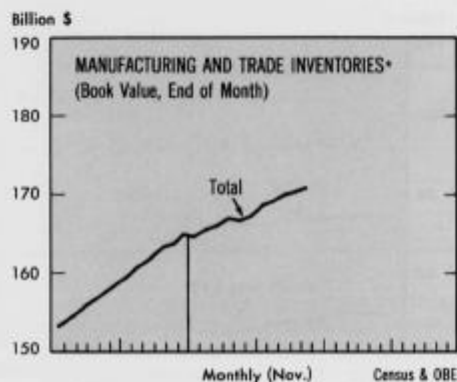
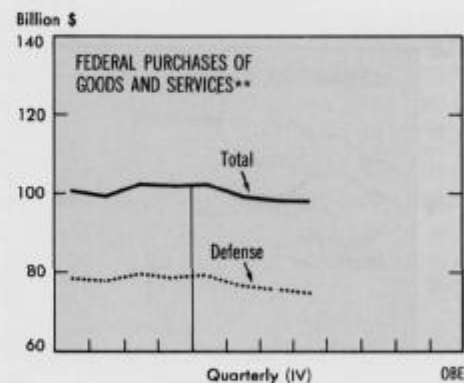
INVENTORIES



FOREIGN TRANSACTIONS



GOVERNMENT

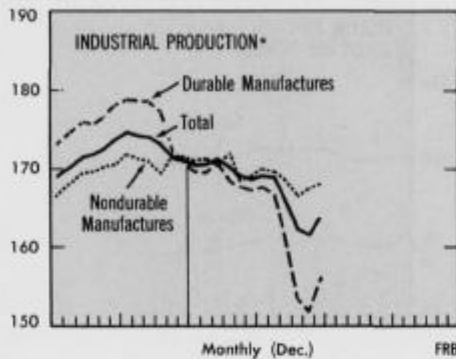


* Seasonally Adjusted ** Seasonally Adjusted at Annual Rates
U.S. Department of Commerce, Office of Business Economics

- In December: Industrial production rebounded after auto strike, rising about 1½ percent
- Bank credit and money supply increased
- Interest rates and bond yields dropped

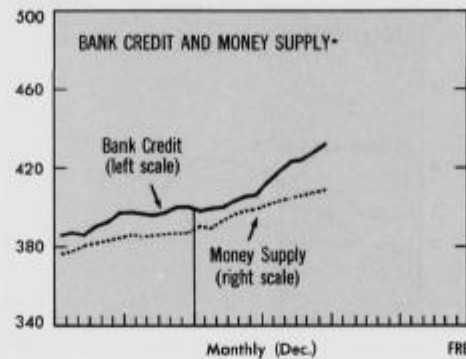
INDUSTRIAL PRODUCTION

1957-59 = 100



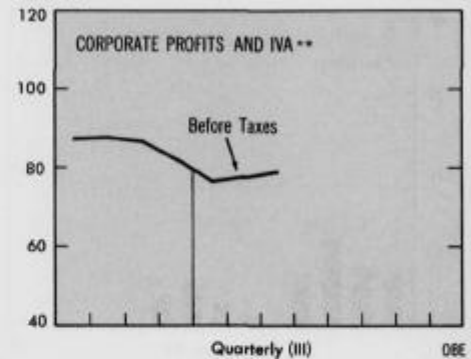
MONEY, CREDIT, AND SECURITIES MARKETS

Billion \$

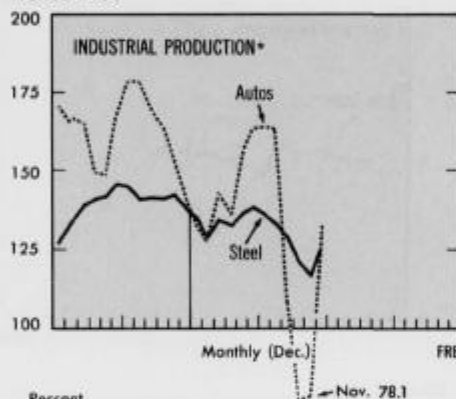


PROFITS AND COSTS

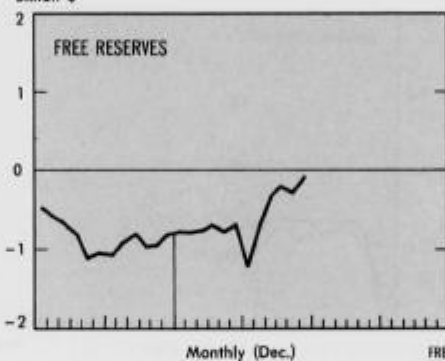
Billion \$



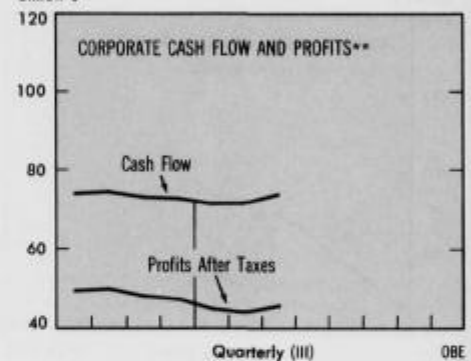
1957-59 = 100



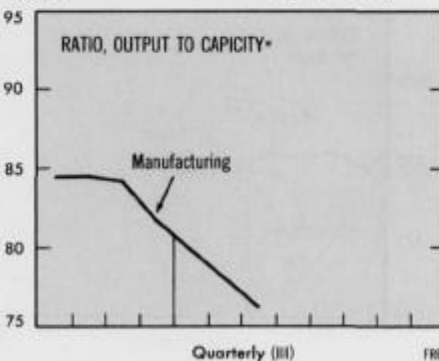
Billion \$



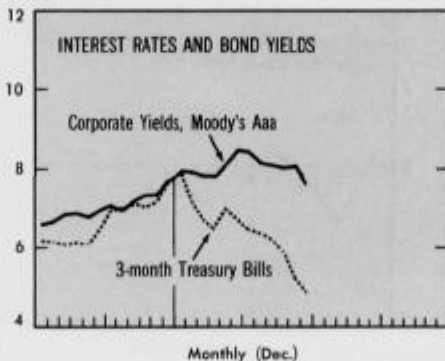
Billion \$



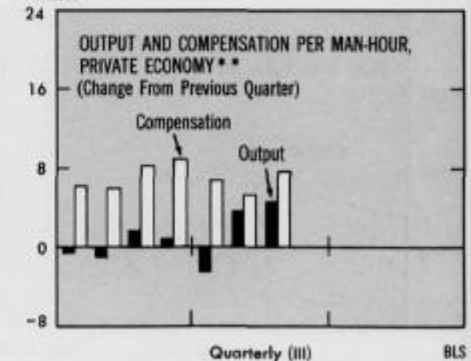
Percent



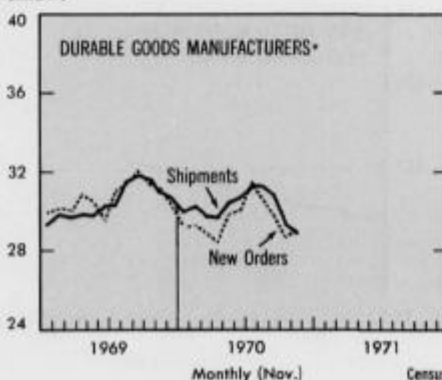
Percent



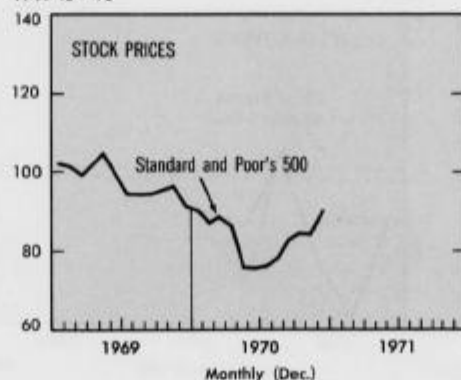
Percent



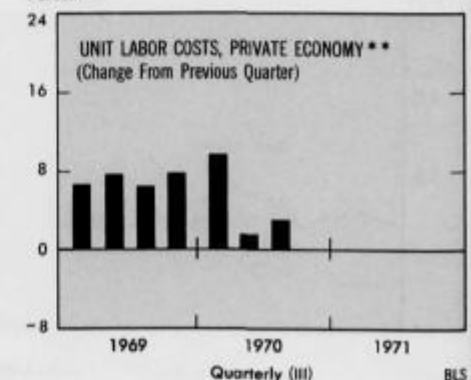
Billion \$



1941-43 = 10



Percent



* Seasonally Adjusted ** Seasonally Adjusted at Annual Rates
U.S. Department of Commerce, Office of Business Economics